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FISCAL IMPACT STATEMENT

LS 6432

BILL NUMBER: HB 1165

NOTE PREPARED: Dec 22, 2006

BILL AMENDED:

SUBJECT: Tax Credit for Truck Auxiliary Power Unit.

FIRST AUTHOR: Rep. Cochran

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ GENERAL
☒ DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: The bill provides an Adjusted Gross Income Tax credit to a taxpayer for purchasing and installing an auxiliary power unit in the taxpayer's commercial motor vehicle.

Effective Date: January 1, 2007 (retroactive).

Explanation of State Expenditures: The Department of State Revenue (DOR) will incur additional expenses to revise tax forms, instructions, and computer programs to reflect the new tax credit for the cost of auxiliary power units installed in commercial motor vehicles. The DOR's current level of resources should be sufficient to implement the new credit.

Explanation of State Revenues: *Summary:* The bill would reduce state Adjusted Gross Income (AGI) Tax liabilities of individual and corporate taxpayers for auxiliary power units (APUs) the taxpayers place in service on commercial motor vehicles during the taxable year. The fiscal impact of this credit is indeterminable and would depend on several factors, including the number of commercial vehicles currently fitted with APUs, the demand for APUs, and the pricing on APUs.

Currently, there are about 250,000 commercial vehicles registered with the BMV and the Motor Carrier Services Division of the DOR. The U.S. Department of Energy reports that APUs range in price from \$1,500 to \$7,000. Typical installation costs are unknown. Assuming the unit prices cited above, if APUs are installed on 2,500 commercial vehicles each year (about 1% of the registered commercial vehicles in Indiana), credits could total \$750,000 to \$3.5 M.

Background: The bill provides a nonrefundable tax credit against the AGI Tax liability of individual and

corporate taxpayers for alternative power units the taxpayer installs on the taxpayer's commercial motor vehicles. The credit is equal to 20% of the purchase price and installation cost of an APU. The bill defines an APU as a portable, truck-mounted system that provides climate control and power for a commercial motor vehicle that is not idling. To be eligible for the tax credit, the APU must first be placed in service by the taxpayer after December 31, 2006. The taxpayer must claim one-half of the tax credit in the taxable year in which the APU was placed in service, and one-half of the credit in the next taxable year. The tax credit may be claimed by individual and corporate taxpayers, including shareholders or partners of a pass through entity.

Since the bill is effective beginning in tax year 2007, the fiscal impact relating to creditable APU installations could begin in FY 2008. Revenue from the corporate AGI tax is deposited in the state General Fund. Eighty-six percent of the revenue from the individual AGI Tax is deposited in the state General Fund, and 14% is deposited in the Property Tax Replacement Fund.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: U.S. Department of Energy, <http://www.eere.energy.gov/cleancities/idle/apu.html>. Linda Risley, Department of State Revenue, (317) 615-7205; Jane Morrical, Bureau of Motor Vehicles, (317) 233-3164

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